

**LAWTON-BRONSON COMMUNITY
SCHOOL DISTRICT**

**INDEPENDENT AUDITORS' REPORT
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS**

JUNE 30, 2009

**LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
FOR THE YEAR ENDED JUNE 30, 2009
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LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT

OFFICIALS

June 30, 2009

**Board of Education
(Before September 2008 Election)**

		Term Expires
Kevin Grieme	President	2011
Steve Olson	Vice President	2009
Amy Denney	Board Member	2011
Machele Dunning	Board Member	2009
Paul Roberts	Board Member	2011

**Board of Education
(After September 2009 Election)**

Kevin Grieme	President	2011
Steve Olson	Vice President	2013
Amy Denney	Board Member	2011
Machele Dunning	Board Member	2013
Paul Roberts	Board Member	2011

School Officials

Jeffrey Thelander	Superintendent
Kimberly Brouwer	Secretary-Treasurer
James Hanks	Attorney



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INDEPENDENT AUDITORS' REPORT

To the Board of Education of
Lawton-Bronson Community School District
Lawton, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Lawton-Bronson Community School District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Lawton-Bronson Community School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lawton-Bronson Community School District as of June 30, 2009 and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2010 on our consideration of the Lawton-Bronson Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lawton-Bronson Community School District's basic financial statements. We previously audited in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2008 (which are not presented herein) and expressed an unqualified opinion on those financial statements. The financial statement for the year ended June 30,

2004 was audited by other auditors in accordance with the standards referred to in the second paragraph of this report and they expressed an unqualified opinion on that financial statement. Other supplementary information, included in Schedules 1 through 8, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Williams & Company, P.C.
Certified Public Accountants

Le Mars, Iowa
March 25, 2010

Management Discussion and Analysis

Lawton-Bronson Community School District provides this Management Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the District's financial statements, which follow this section.

2009 Financial Highlights

- General Fund revenues increased from \$5,454,141 in fiscal year 2008 to \$5,512,108 in fiscal 2009, while General Fund expenditures increased from \$5,175,320 in fiscal 2008 to \$5,308,112 in fiscal 2009. The District's General Fund fund balance increased from \$73,925 at the end of fiscal 2008 to \$265,657 at the end of fiscal 2009.
- The increase in General Fund revenues was attributable to a maintained increase in property tax revenue in fiscal 2009. The increase in expenditures was due primarily to an increase in salaries and other fixed costs. The General Fund fund balance increased again because of the increased cash reserve levy implemented by the board for fiscal 2008 and continued in 2009. As a result, the district was able to regain a positive solvency ratio in 2008 and a healthier solvency ratio in 2009.

Using This Annual Report

This annual report consists of three parts: Management's discussion and analysis (this section), the basic financial statements, and supplementary information. The basic financial statements include two kinds of statements that present different views of the district:

- The first two statements are *district-wide financial statements* that provide *both short-term and long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operation in *more detail* than the District-wide statements.
- The *governmental funds' statements* tell how basic services such as regular and special education were financed in the *short term* as well as what remains for future spending.
- *Proprietary funds' statements* offer *short and long-term* financial information about the activities that the District operates *like businesses*, such as food services.
- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the district's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

District-wide Financial Statements

The District-wide statements report information about the district as a whole using accounting methods similar to those used by private sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenue and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

Figure A-1

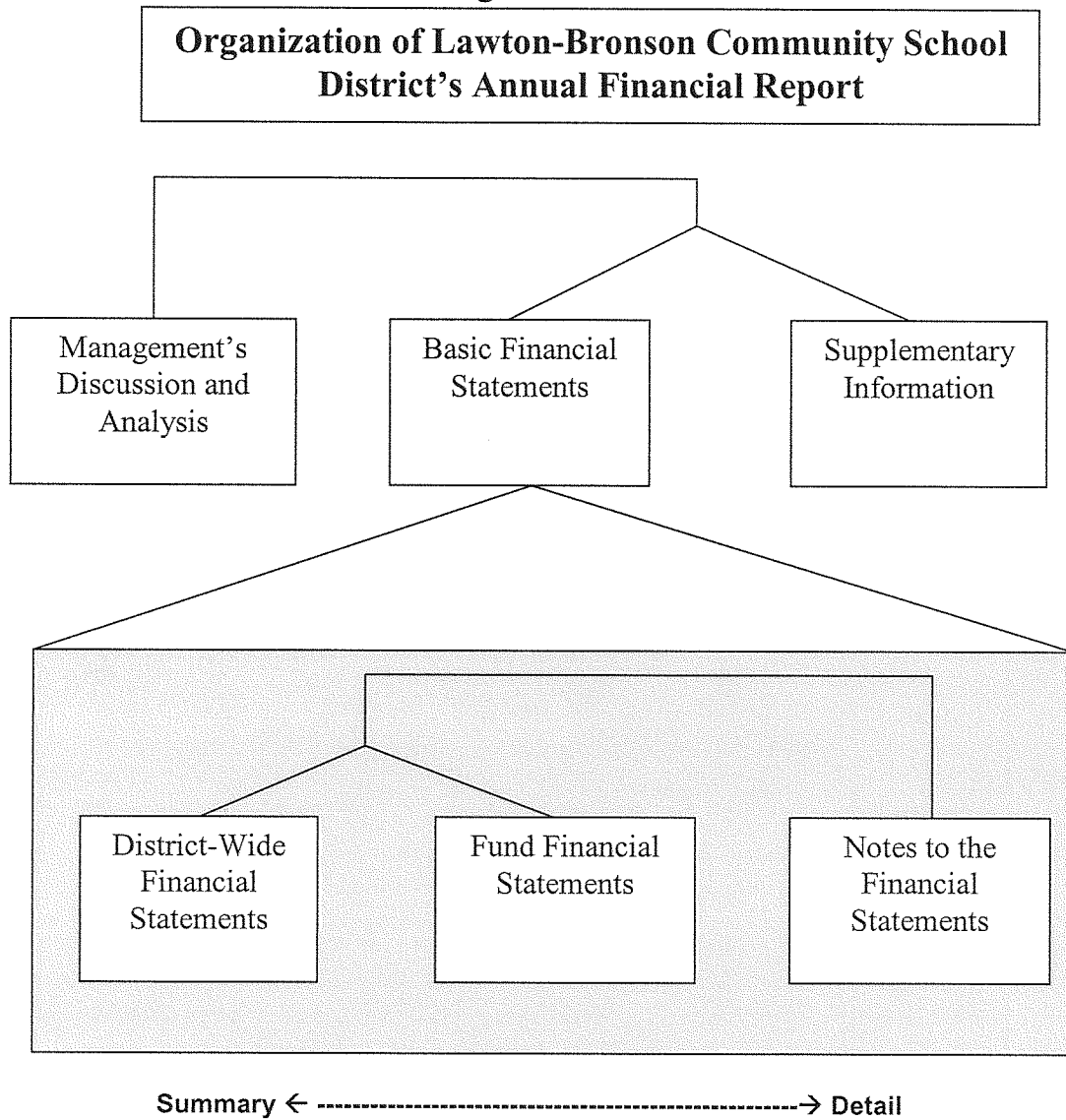


Figure A-2
Major Features of the District Wide and Fund Financial Statements

	District - wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses; food services is included here	Instances in which the district administers resources on behalf of someone else; such as scholarship programs and student activities monies
Required financial statements	Statement of net assets and statement of activities	Balance sheet Statement of revenues, expenditures, and changes in fund balances	Statement of net assets Statement of cash flows	Statement of fiduciary net assets Statement of changes in fiduciary net assets
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long- term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short- term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

The two District-wide statements report the District's *net assets* and how they have changed. Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the District-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state aid finance most of these activities.
- *Business-type activities*: The District charges fees to help it cover the costs of certain services it provides. The District's food service, before and after the bell, preschool, and fitness center programs would be included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the district as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on regular programs.

- Some funds are required by law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes, (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as federal grants).

The District has three kinds of funds:

- *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.
- *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements. The District's *enterprise funds* (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows. *Internal service funds*, (the other kind of proprietary fund) are optional and available to report activities that provide supplies and services for other District programs and activities. At this time the District chooses not to use any internal service funds.

- *Fiduciary funds*: The District is the trustee, or *fiduciary*, for assets that belong to others, such as a scholarship fund. The District accounts for outside donations to specific District schools for specific purposes in this fund. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

Financial Analysis of the District as a Whole

As previously noted, Lawton-Bronson Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. In accordance with the Code of Iowa, the Board of Education annually adopts a budget following a required public notice and hearing. The budget may be amended during the year, utilizing statutorily prescribed procedures. The District's budget was prepared on GAAP basis and it was not amended.

The financial health of the district is good and is should continue to be stable in these uncertain economic times. The net assets of the total district saw an increase of \$670,620. Figure A-3 provides a summary of the District's net assets for the fiscal years ended June 30, 2009 and 2008. Figure A-4 shows the changes in net assets for the same two fiscal years. To provide a better understanding of the financial makeup of the district the following sections will provide an analysis of each of the funds.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total District	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 6,675,424	\$13,687,454	\$ (92,454)	\$ (104,921)	\$ 6,582,970	\$ 13,582,533
Capital assets	13,764,588	6,397,759	239,949	243,059	14,004,537	6,640,818
Total Assets	20,440,012	20,085,213	147,495	138,138	20,587,507	20,223,351
Long-term debt outstanding	9,305,804	9,459,774	-	-	9,305,804	9,459,774
Other liabilities	4,215,259	4,377,804	27,279	17,226	4,242,538	4,395,030
Total Liabilities	13,521,063	13,837,578	27,279	17,226	13,548,342	13,854,804
Invested in capital assets, net of related debt	4,634,292	5,412,408	239,949	46,652	4,874,241	5,655,467
Restricted	285,698	287,573	-	-	285,698	287,573
Unrestricted	1,998,959	547,654	(119,733)	(122,147)	1,879,226	425,507
Total Net Assets	\$ 6,918,949	\$ 6,247,635	\$ 120,216	\$ 120,912	\$ 7,039,165	\$ 6,368,547

	% Changes Governmental Activities	% Changes Business-type Activities	% Changes Total District
	FY08-FY09	FY08-FY09	FY08-FY09
Current and other assets	-51.2%	-11.9%	-51.5%
Capital assets	115.1%	-1.3%	110.9%
Total Assets	1.8%	6.8%	1.8%
Long-term debt outstanding	-1.6%	-	-1.6%
Other liabilities	-3.7%	58.4%	-3.5%
Total Liabilities	-2.3%	58.4%	-2.2%
Invested in capital assets, net of related debt	-14.4%	414.3%	-13.8%
Restricted	-0.7%	-	-0.7%
Unrestricted	265.0%	-2.0%	341.6%
Total Net Assets	10.7%	-0.6%	10.5%

Figure A-4
Changes in Net Assets from Operating Results

	Governmental Activities		Business-type Activities		Total District	
	2009	2008	2009	2008	2009	2008
Revenues						
<i>Program Revenues</i>						
Charges for Services	\$ 721,086	\$ 764,476	\$ 238,575	\$ 244,834	\$ 959,661	\$ 1,009,310
Operating Grants & Contributions	855,801	750,617	98,674	90,062	954,475	840,679
Capital Grants & Contributions	42,291	31,550	-	-	42,291	31,550
<i>General Revenues</i>						
Property and Other Taxes	2,971,929	2,786,311	-	-	2,971,929	2,786,311
State Formula Aid	2,355,644	2,414,184	-	-	2,355,644	2,414,184
Other	183,134	246,239	258	1,496	183,392	247,735
Total Revenues	7,129,885	6,993,377	337,507	336,392	7,467,392	7,329,769
Expenses						
Instruction	3,890,622	3,737,235	-	-	3,890,622	3,737,235
Support Services	1,948,073	1,933,433	-	-	1,948,073	1,933,433
Non-instructional Programs	-	-	352,027	414,405	357,027	414,405
Facilities Acquisition	29,556	75,592	-	-	29,556	75,592
Debt Service	378,505	140,659	-	-	378,505	140,659
Intergovernmental	220,023	210,904	-	-	220,023	210,904
Total Expenses	6,466,779	6,097,823	352,027	414,405	6,818,806	6,512,228
Excess (deficiency) of revenues over expenses before transfers	663,106	895,554	(14,520)	(78,013)	648,586	817,541
Transfers	(13,824)	(204,593)	13,824	204,593	-	-
Increase (Decrease) in Net Assets	\$ 649,282	\$ 690,961	\$ (696)	\$ 126,580	\$ 648,586	\$ 817,541

	% Change Governmental Activities	% Change Business-type Activities	% Change Total District
	FY08-09	FY08-09	FY08-09
Revenues			
<i>Program Revenues</i>			
Charges for Services	-5.7%	-2.6%	-4.9%
Operating Grants & Contributions	14.0%	9.6%	13.5%
Capital Grants & Contributions	34.0%	-	34.0%
<i>General Revenues</i>			
Property and Other Taxes	6.7%	-	6.7%
State Formula Aid	-2.4%	-	-2.4%
Other	25.6%	-82.8%	-26.0%
Total Revenues	2.0%	0.3%	1.9%
Expenses			
Instruction	4.1%	-	4.1%
Support Services	0.8%	-	0.8%
Non-instructional Programs	-	-15.1%	-15.1%
Facilities Acquisition	-60.9%	-	-60.9%
Debt Service	169.1%	-	169.1%
Intergovernmental	4.3%	-	4.3%
Total Expenses	6.1%	-15.1%	4.7%
Increase (Decrease) in Net Assets)	-6.0%	-81.4%	-20.7%

Financial Analysis of the District's Funds

Governmental Activities

Governmental activities consist of the following District funds: General; Student Activity; Management; Physical, Plant & Equipment; Local Option Sales Tax; Capital Projects; and Debt Service. Figure A-5 presents the cost of five major district activities: instruction, support services, facilities acquisition, debt services, and intergovernmental. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the District's taxpayers by each of these functions. As a whole these funds provided the district with the increase in net assets.

- The cost of all governmental activities this year was \$6,466,779.
- The users of the District's programs financed a portion of the cost.
- Most of the District's \$4,847,601 net costs were financed by District and State taxpayers.
- Governmental activities were financed with \$2,971,929 in property taxes and other taxes, \$2,355,644 of unrestricted state grants, and \$183,134 of other income.

Figure A-5
Net Cost of Governmental Activities

	Total Cost of Services		Net Cost of Services		Net % Change
	2009	2008	2009	2008	2008-2009
Instruction	\$ 3,890,622	\$ 3,737,235	\$2,537,008	\$ 2,440,480	4.0%
Support Services	1,948,073	1,933,433	1,944,823	1,925,999	1.0%
Facilities Acquisition	29,556	75,592	(12,735)	44,042	-128.9%
Debt Service	378,505	140,659	378,505	140,659	169.0%
Intergovernmental	220,023	210,904	-	-	-
Total	\$ 6,466,779	\$ 6,097,823	\$4,847,601	\$ 4,551,180	6.5%

General Fund - The general fund is described as follows from Uniform Financial Accounting Appendix G provided by the Iowa Department of Education:

"This fund is the chief operating fund of the school district. It is used to account for all financial resources of the school district except for those required to be accounted for in another fund. A district or AEA may have only one general fund."

The General Fund saw a decrease in both assets and liabilities. The main reason for the decreases can be attributed to the District's reduced participation in the Iowa School Cash Anticipation Program (ISCAP) for fiscal 2009. This is a program that assists school districts by providing a source of cash for districts that are experiencing cash shortfalls throughout the school year. The district increased the cash reserve levy in fiscal 2008 so that they would be able to reduce the amount of borrowing needed for cash flow purposes. The cash reserve levy was maintained for fiscal 2009 to further reduce the need for borrowing. Borrowings for the new elementary building also impacted the district's decision to reduce participation in

ISCAP as there are legal limitations to the amount of borrowing a district can do in one calendar year. The District choose not to participate in Series A for 2008-2009 but did participate in Series B. Going forward the need for participation will be highly impacted by the State of Iowa and any additional cuts in funding they implement.

The district grew the positive unreserved, undesignated fund balance it achieved in fiscal 2008 following two years with negative balances. This year, it rose to \$265,657 from \$73,925 the year before. The growth gave the district a healthier solvency ratio than it has seen for several years. Figure A-6 is a summary of the solvency ratios over the last three fiscal years. The solvency ratio is calculated by dividing the general fund's unreserved, undesignated fund balance by the general fund's revenues. Each component of the calculation is included in Figure A-6. It must also be noted that prior to fiscal 2008, the before and after the bell fund and preschool fund had been reported with the general fund. These funds will be discussed in more detail later in the report but please note that the inclusion of these funds with the general fund made the fund balance more negative in years past than if they had not been included.

The unreserved, undesignated fund balance can be compared to owner's equity in a regular business setting which is calculated by taking total assets minus total liabilities. A school's general fund operates differently than a regular business setting. The general fund is given spending authority from the state. This spending authority determines how much a district is able to spend. The amount a district can spend is not determined by the amount of cash a district has in the bank. The district has not in prior years or this year overspent its spending authority from the state. Actions were taken to regain a healthy cash position as well as better balance the revenues and expenditures of the district. While substantial improvement was gained the district continues to work for healthier cash position.

Each year in the budgeting process a district can have a cash reserve levy. This levy does not increase the amount that a district can spend. It simply gives a district cash to cover the authority the state has already given. Our district has historically had a cash reserve levy but until recently the levy was not always high enough to cover the cash needs of the district. The Board of Education took steps during the 2008-2009 budget process was completed by March 6, 2008 to increase the cash reserve levy. This was done to improve the District's solvency ratio and to reduce the amount of borrowing needed for cash flow purposed. Their actions were successful. The Board of Education decided to maintain the higher cash reserve levy in the budget process for 2008-2009 to move to a healthier not just positive solvency ratio and to work towards eliminating the need to borrow for cash flow purposes. Their actions continue to be successful but with cuts from the State additional improvement will be difficult to achieve.

Figure A-6
Solvency Ratio History (General Fund)

	2009	2008
Solvency Ratio	3.33%	0.71%
Unreserved Fund Balance	\$ 183,754	\$ 38,678
Revenues	\$ 5,512,108	\$5,454,141

Revenues increased \$57,967 to total \$5,512,108 for fiscal 2009. Revenues were very stable even with a 1.5% across the board cut from the State of Iowa. Unfortunately it is likely that revenues will decrease for fiscal 2010 with a 10% across the board cut from the State.

Expenditures increased by \$132,792 to total \$5,308,112 for fiscal 2009. This is an increase of only 2.5%. The District continues to take steps to minimize expenditures. There was an excess of revenues over expenditures of \$203,996 for fiscal 2009 and \$278,821 for fiscal 2008. These excesses have resulted in increasing fund balances. Excess revenues were reduced for fiscal 2009 and is anticipated reduce greatly for fiscal 2010. The district continues to closely monitor expenditures and revenues closely because as noted earlier the increased revenue from the cash reserve levy does not give the district additional spending authority. There must be a constant balance between cash flow and spending authority.

Student Activity Fund – The Student Activity Fund is described as follows from Uniform Financial Accounting Appendix G provided by the Iowa Department of Education:

“This fund is used to account for money from student-related activities such as admissions, activity fees, student dues, student fund-raising events, or other student related cocurricular or extracurricular activities. Money in this fund shall be used to support only the cocurricular program defined in Department of Education Administrative Rules. The Activity fund should not be used as a clearing account for another fund.”

The Student Activity Fund Balance decreased by \$38,140 to end the year with a fund balance of \$40,276. Multiple sub-accounts comprise the Student Activity Fund. A breakdown is included in the supplemental information of the report. Some sub-accounts had increased while others decreased. There was a significant increase in both revenue and expenditures. Revenues decreased \$34,482 to \$308,924 and expenditures increased \$5,792 to \$342,932. The decrease in revenues can be attributed to teams not competing at the state level that had in past years. The increase in expenditures is due to fluctuations in activities.

Management Fund – The Management Fund is described as follows from Uniform Financial Accounting Appendix G provided by the Iowa Department of Education:

“A special revenue fund used to account for all financial transactions from the levy authorized by Iowa Code section 298.4. The purpose of this fund is to pay the costs of unemployment or early retirement benefits, and the costs of liability insurance and judgments or settlements relating to liability. This fund is used to account for moneys from the levy for unemployment benefits, liability insurance, non-benefit insurance agreements, early retirement benefits, and the costs of a judgment. This fund cannot be used for employee health, life or disability insurance, even if the district is self-insured.”

There was a decrease of \$24,998 to bring the fund balance for the Management fund to an ending fund balance of \$76,149. This decrease was due to the additional cost of insurance needed for a construction project. The District must continue to monitor the fund balance to ensure that there are adequate funds available to cover insurance expenditures as well as current and potential early retirement expenditures. This year's ending fund balance is healthy.

Physical, Plant & Equipment Fund – The Physical, Plant & Equipment Fund is described as follows from Uniform Financial Accounting Appendix G provided by the Iowa Department of Education:

“A special revenue fund used to account for all financial transactions from the levy authorized, whether regular or voter-approved, by Iowa Code Section 298.2. This fund is created to deposit and expend money from a levy certified by the Board of Directors not to exceed 33 cents and/or a levy authorized by a simple majority of the voters not to exceed \$1.34. The purpose of the fund is to pay the cost of specified major expenditures related to real property and equipment. This fund is used to account for moneys from the levy for facilities, grounds, and certain equipment.”

Currently the district only uses the Board Certified 33 cent levy as revenue. This year the ending fund balance for the Physical, Plant & Equipment fund was \$199,651. This is a healthy balance that the District intend to use toward the Elementary Building Project.

Capital Projects Funds – Capital Project Funds are described as follows from Uniform Financial Accounting Appendix G provided by the Iowa Department of Education:

“These funds are used to account for financial resources to be used to acquire or construct major capital facilities (other than those of Proprietary funds and trust funds). The most common source of capital projects funding is the sale of bonds or other capital financing instruments. A separate fund may be used for each capital project or one fund may be used, supplemented by the classification Project/Reporting code.”

Currently the District has three Capital Project funds. These funds have changed slightly from fiscal 2008. There is the Statewide Sales Service Tax (described below) and a fund for the building of the elementary building that were both in use in fiscal 2009. An additional fund was created at the end of the fiscal year for the building of stadium seating for the high school baseball field. In this report all three funds have been reported separately but in years past they were grouped together as Capital Projects. These funds saw the greatest change throughout the year. Revenues from general obligation bonds issued in FY08 were used to cover the expenses for the construction of the new elementary building followed by revenues from the sale of sales tax bonds sold in FY08. The elementary building project was completed in the fall of 2009.

Statewide Sales and Service Tax – The Local Option Sales Tax Fund is described as follows from Uniform Financial Accounting Appendix G provided by the Iowa Department of Education:

“This fund is used to account for revenues received from the statewide sales and services tax for school infrastructure.”

Debt Service Fund – The Debt Servicing Fund is described as follows from Uniform Financial Accounting Appendix G provided by the Iowa Department of Education:

“This fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest. A district or AEA may have only one debt service fund.”

Interest income and the debt levy are the main revenue sources for this fund. Statewide Sales and Service Tax funds were used to payoff the bonds for the high school building and were transferred to the debt service fund for the payment. The only bills paid from this fund are principal and interest payments as well as the wire fees to complete the transaction. The debt service fund ended with a fund balance of \$15,377.

Long Term Debt

At year-end, the District had \$9,055,000 in general obligation bonds and sales tax revenue bonds.

**Figure A-7
Outstanding Long-Term Debt**

	2009	2008	2008-2009 % Change
General obligation bonds & notes	\$ 9,055,000	\$ 9,295,000	-2.6%

Proprietary Activities

The District currently has four proprietary funds or Business Type Activities including School Nutrition Fund, Before and After the Bell Fund, Regular Education Preschool Fund, and a Fitness Center Fund (Community Service Enterprises). Below are the descriptions from the Uniform Financial Accounting Appendix G provided by the Iowa Department of Education.

School Nutrition – “used to account for all transactions for the nutrition program authorized by Iowa Code Chapter 283A.”

Before and After the Bell – “used to account for all financial transactions for the child care program authorized by Iowa Code sections 298A.12 and 279.49. These programs are financed by categorical aid for child care programs and fees to parents or guardians. Fees shall be established pursuant to a sliding fee schedule based upon staffing costs and other expenses and a family’s ability to pay.”

Regular Education Preschool – “used to account for all financial transactions for preschool programs with instructional components for students who were less than age 5 on September 15 and who are not served pursuant to an IEP. These programs are financed by categorical aid for regular education preschool programs and fees to parents or guardians.”

Community Service Enterprises (Fitness Center) – “used for community service enterprises. These are activities provided by the district for a fee to the general community or segment of the community that are not in the PERL Fund. Examples are public libraries, community pool, community wellness center, community or Adult Education.”

Schools are faced with a challenge in proprietary funds. These funds need to maintain a small operating profit or no loss while providing services that are affordable to families within the district. Currently the District’s Regular Education Preschool and Fitness Center funds have been operating with losses for multiple years. Expenditures and fees charged have been and will continue to be reviewed and changed to eliminate future losses. The Before and After the Bell has made adjustments and broke even but steps will need to be taken to recover prior losses. The Nutrition Fund has achieved tremendous improvements with an income of \$7,305 before contributions and transfers for fiscal 2009 compared to a loss of \$54,461 in fiscal 2008. See Figure A-3 and Figure A-4.

Capital Assets

Figure A-8
Capital Assets

	Governmental Activities		Business-type Activities		Total District	
	2009	2008	2009	2008	2009	2008
Land	\$ 283,677	\$283,677	\$ -	\$ -	\$ 283,677	\$ 283,677
Construction in Progress	8,318,145	906,057	-	-	8,318,145	906,057
Buildings	6,594,104	6,486,434	-	-	6,594,104	6,486,434
Furniture & Equipment	1,958,052	2,018,073	446,465	435,859	2,404,517	2,453,932
Total Assets	17,153,978	9,694,241	446,465	435,859	17,600,443	10,130,100
Less Accumulated Depreciation	(3,389,390)	(3,296,428)	(206,516)	192,800	(3,595,906)	(3,489,282)
Net Capital Assets	\$13,764,588	\$ 6,397,759	\$ 239,949	\$ 243,059	\$ 14,004,537	\$ 6,640,818

	Governmental Activities	% Changes Business-type Activities	Total District
	FY08-FY09	FY08-FY09	FY08-FY09
Land	0.0%	-	0.0%
Construction in Progress	932.0%	-	932.0%
Buildings	1.7%	-	1.7%
Furniture & Equipment	-3.0%	2.4%	-2.0%
Total Assets	77.0%	2.4%	73.7%
Less Accumulated Depreciation	2.8%	7.1%	3.1%
Net Capital Assets	115.1%	-1.3%	110.9%

By the end of 2009, the district had invested \$17,600,443 in a broad range of assets including school buildings, land, athletic facilities, computer and audio-visual equipment, and vehicles. Total depreciation expense for governmental and business-type activities was \$237,789 and \$13,716 respectively. Work on the construction of a new elementary building was nearing completion at the end of fiscal 2009. The progress represents construction in progress in Figure A-8. It will be moved to buildings in fiscal 2010.

Budgetary Highlights

The District certified a \$15,673,725 budget for 2008-2009 in March 2008 and did not complete a budget amendment. This total budget was significantly higher in Fiscal 2008 and 2009 due to the building of a new elementary building.

Total revenues were \$43,546 less than total budgeted revenues. The across the board cut from the State of Iowa caused a reduction in total revenues.

Total expenditures were \$1,355,567 less than budgeted. This significant amount can be mainly attributed to the elementary building project not being fully completed within the fiscal year. It was not anticipated to be complete in the fiscal year but was scheduled to be complete shortly after. The budget reflected a higher number to support the project being ahead of schedule.

The District works diligently not to exceed the certified budget, but in Fiscal 2009 the budget was exceeded in instruction and non-instructional programs. A budget amendment should have been completed but was not due to timing.

Economic Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of the following existing circumstances that could significantly affect its financial health in the future:

- The current recession in the nation has and will continue to impact the State of Iowa's budget. The State of Iowa passed a 1.5% across the board cut for fiscal 2009 followed by a 10% across the board cut for fiscal 2010. The federal government issued a stimulus package that began in late fiscal 2009 that will continue into fiscal year 2011. Unfortunately the economy is not recovering quickly enough to be stabilized when the funding expires. This has led to much uncertainty at the Iowa legislature. Allowable growth for fiscal 2010 remained at 4% but the 2% set for fiscal 2011 has been reopened for discussion at the State. Discussions to set allowable growth for fiscal 2012 have been pushed back for one year. There is much speculation as to what will happen with allowable growth for 2011. The Governor has recommended keeping allowable at 2% and underfunding. The legislature could decide to approve his recommendation or could potentially go with a negative allowable growth in the attempt to balance the state budget. The national recovery appears to be mirroring the recession of the 1980s which took close to eight years for the economy to recover. The district is making budget plans for various scenarios in these very uncertain times.
- District enrollment will consistently have a tremendous impact on the District's financial future. Funding for an Iowa school is based on the District's certified enrollment, thus stable or increased enrollment is crucial to the financial health of a District. The District has enjoyed stable enrollment but the local economy will be a crucial factor in future enrollment.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability of the money it receives. If you have questions, about this report or need additional financial information, contact Jeffrey Thelander, Superintendent

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2009

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and Pooled Investments	\$ 3,478,470	\$ 7,739	\$ 3,486,209
Receivables:			
Property Tax	50,996		50,996
Succeeding Year Tax	2,430,001		2,430,001
Interfund Activity	109,506	(109,506)	-
Due from Other Governments	208,941		208,941
Inventories		8,725	8,725
Prepaid Expenses	36,132	588	36,720
Bond Issue Costs	99,261		99,261
Restricted ISCAP Assets:			
Investments	262,085		262,085
Accrued Interest Receivable	32		32
Land	283,677		283,677
Construction In Progress	8,318,145		8,318,145
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	5,162,766	239,949	5,402,715
Total Assets	<u>20,440,012</u>	<u>147,495</u>	<u>20,587,507</u>
LIABILITIES			
Cash Deficit		449	449
Accounts Payable	936,530	5,186	941,716
Deferred Revenue - Succeeding Year Taxes	2,430,001		2,430,001
Accrued Wages and Benefits	498,594	17,791	516,385
Accrued Interest Payable	67,677		67,677
Unearned Revenue	19,375	3,853	23,228
ISCAP Liabilities:			
ISCAP Warrants Payable	258,000		258,000
ISCAP Unamortized Premium	4,994		4,994
ISCAP Accrued Interest Payable	88		88
Noncurrent Liabilities:			
Due Within One Year:			
Bonds Payable	420,000		420,000
Accrued Early Retirement	34,961		34,961
Due in More Than One Year:			
Bonds Payable	8,635,000		8,635,000
Bond Premium	75,296		75,296
Accrued Early Retirement	140,547		140,547
Total Liabilities	<u>13,521,063</u>	<u>27,279</u>	<u>13,548,342</u>
NET ASSETS			
Investment in Capital Assets, Net of Related Debt	4,634,292	239,949	4,874,241
Restricted for:			
Categorical Funding	45,771		45,771
Physical Plant and Equipment Levy	199,651		199,651
Other Special Revenue Purposes	40,276		40,276
Unrestricted	1,998,959	(119,733)	1,879,226
Total Net Assets	<u>\$ 6,918,949</u>	<u>\$ 120,216</u>	<u>\$ 7,039,165</u>

See Accompanying Notes to Financial Statements

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2009

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants Contributions	Capital Grants Contributions
Governmental Activities:				
Instruction:				
Regular	\$ 2,789,017	\$ 325,332	\$ 566,813	
Special Programs	491,385	84,393	54,899	
Vocational	157,060		14,066	
Co-curricular	453,160	308,111		
Support Services:				
Student Support	159,840			
Instructional Staff Support	182,556			
General Administration	405,850			
Building Administration	284,793			
Business Administration	110,247			
Operations and Maintenance	469,355	3,250		
Student Transportation	335,432			
Facilities Acquisition:				
Construction Services	11,379			\$ 42,291
Equipment	18,177			
Debt Service:				
Interest	378,505			
Intergovernmental:				
AEA Flowthrough	220,023		220,023	
Total governmental activities	<u>6,466,779</u>	<u>721,086</u>	<u>855,801</u>	<u>42,291</u>
Business Type Activities:				
School Nutrition Fund	268,934	177,382	98,674	
Preschool	18,673	4,581		
Fitness Center Fund	13,249	5,200		
Before and After the Bell	51,171	51,412		
Total business type activities	<u>352,027</u>	<u>238,575</u>	<u>98,674</u>	<u>-</u>
Total School District	<u>\$ 6,818,806</u>	<u>\$ 959,661</u>	<u>\$ 954,475</u>	<u>\$ 42,291</u>
General Revenues:				
Property Taxes				
Statewide Sales and Service Tax				
Unrestricted Investment Earnings				
Unrestricted State Grants				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets - beginning				
Prior Period Adjustment				
Net assets - beginning (restated)				
Net assets - ending				

See Accompanying Notes to Financial Statements

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business Type Activities	Total
\$ (1,896,872)		\$ (1,896,872)
(352,093)		(352,093)
(142,994)		(142,994)
(145,049)		(145,049)
(159,840)		(159,840)
(182,556)		(182,556)
(405,850)		(405,850)
(284,793)		(284,793)
(110,247)		(110,247)
(466,105)		(466,105)
(335,432)		(335,432)
30,912		30,912
(18,177)		(18,177)
(378,505)		(378,505)
-		-
<u>(4,847,601)</u>		<u>(4,847,601)</u>
	\$ 7,122	7,122
	(14,092)	(14,092)
	(8,049)	(8,049)
	241	241
<u>-</u>	<u>(14,778)</u>	<u>(14,778)</u>
<u>(4,847,601)</u>	<u>(14,778)</u>	<u>(4,862,379)</u>
2,483,261	-	2,483,261
488,668	-	488,668
119,201	258	119,459
2,355,644	-	2,355,644
63,933	-	63,933
(13,824)	13,824	-
<u>5,496,883</u>	<u>14,082</u>	<u>5,510,965</u>
649,282	(696)	648,586
6,247,635	120,912	6,368,547
22,032	-	22,032
<u>6,269,667</u>	<u>120,912</u>	<u>6,390,579</u>
<u>\$ 6,918,949</u>	<u>\$ 120,216</u>	<u>\$ 7,039,165</u>

See Accompanying Notes to Financial Statements

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
Governmental Funds
JUNE 30, 2009

	Capital Projects					
	General	Elementary Building	Statewide Sales and Service Tax	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and Pooled Investments	\$ 556,287	\$1,953,724	\$ 621,029	\$ 3,696	\$ 343,734	\$ 3,478,470
Receivables:						
Property Tax	37,425			11,526	2,045	50,996
Succeeding Year Property Tax	1,751,544			547,323	131,134	2,430,001
Due from Other Funds	114,428		7,000		125	121,553
Due from Other Governments	135,232		73,709			208,941
Prepaid Expenses	36,132					36,132
Restricted ISCAP Assets:						
Investments	262,085					262,085
Accrued Interest Receivable	32					32
Total Assets	2,893,165	1,953,724	701,738	562,545	477,038	6,588,210
Liabilities and Equity						
Payables:						
Accounts Payable	94,913	808,809	19,908		12,900	936,530
Due to Other Funds			155	7,000	4,892	12,047
Deferred Revenue:						
Succeeding Year Property Tax	1,751,544			547,323	131,134	2,430,001
Unearned Revenue	19,375					19,375
Accrued Wages and Benefits	498,594					498,594
Accrued Early Retirement					5,826	5,826
ISCAP Liabilities:						
ISCAP Warrants Payable	258,000					258,000
ISCAP Unamortized Premium	4,994					4,994
ISCAP Accrued Interest Payable	88					88
Total Liabilities	2,627,508	808,809	20,063	554,323	154,752	4,165,455
Fund Balances:						
Reserved for Debt Service				8,222		8,222
Reserved for Prepaid Expenses	36,132					36,132
Reserved for Categorical Funding	45,771					45,771
Unreserved for:						
General Fund	183,754					183,754
Special Revenue Fund					316,076	316,076
Capital Project Fund		1,144,915	681,675		6,210	1,832,800
Total Fund Balances	265,657	1,144,915	681,675	8,222	322,286	2,422,755
Total Liabilities and Equity	\$2,893,165	\$1,953,724	\$ 701,738	\$562,545	\$ 477,038	\$ 6,588,210

See Accompanying Notes to Financial Statements

**LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2009**

Amounts reported for Governmental Activities in the Statement of Net assets are different because:

Total Fund Balance - Governmental Funds (page 20)	\$ 2,422,755
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	13,764,588
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(67,677)
Deferred charges, including bond issue costs and bond premiums, are reported in the governmental activities but are not reported in the governmental funds as they do not provide current economic resources.	23,965
Long-term liabilities, including bonds payable and early retirement payable are not due and payable in the current period and therefore are not reported in the funds.	<u>(9,224,682)</u>
Total Net Assets - Governmental Activities (page 17)	<u><u>\$ 6,918,949</u></u>

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Governmental Funds
For the Year Ended June 30, 2009

	Capital Projects					
	General	Elementary Building	Statewide Sales and Service Tax	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenue:						
Local Sources:						
Local Tax	\$ 1,836,494		\$ 488,668	\$ 547,952	\$ 98,815	\$ 2,971,929
Tuition	367,377					367,377
Other	83,324	\$ 102,171	16,258	397	361,684	563,834
State Sources	3,081,649					3,081,649
Federal Sources	143,264					143,264
Total Revenue	5,512,108	102,171	504,926	548,349	460,499	7,128,053
Expenditures:						
Governmental Activities:						
Instruction:						
Regular	2,756,153					2,756,153
Special Programs	486,105					486,105
Vocational	157,060					157,060
Other Instruction	119,578				342,932	462,510
Support Services:						
Student Support	149,934					149,934
Instructional Staff Support	182,556					182,556
General Administration	150,644				41,984	192,628
School Administration	284,793					284,793
Business Administration	110,247					110,247
Operations and Maintenance	412,370				44,756	457,126
Student Transportation	278,649		79,652		5,919	364,220
Other Expenditures						
Facilities Acquisition:						
Construction Services		7,367,369	98,394		54,743	7,520,506
Equipment			18,177			18,177
Debt Service:						
Principal				240,000		240,000
Interest				362,660		362,660
Intergovernmental:						
AEA Flowthrough	220,023					220,023
Total Expenditures	5,308,112	7,367,369	196,223	602,660	490,334	13,964,698
Excess (Deficiency) of Revenues Over Expenditures	203,996	(7,265,198)	308,703	(54,311)	(29,835)	(6,836,645)
Other Financing Sources (Uses):						
Operating Transfers In				55,378		55,378
Operating Transfers Out			(55,378)		(4,132)	(59,510)
Sale of Equipment & Material	1,832					1,832
Total Other Financing Sources (Uses)	1,832	-	(55,378)	55,378	(4,132)	(2,300)
Net Change in Fund Balances	205,828	(7,265,198)	253,325	1,067	(33,967)	(6,838,945)
Fund Balances-Beginning of Year	73,925	8,373,985	428,350	7,155	356,253	9,239,668
Prior Period Adjustment	(14,096)	36,128				22,032
Fund Balances-Beginning of Year Restated	59,829	8,410,113	428,350	7,155	356,253	9,261,700
Fund Balances-End of Year	\$ 265,657	\$ 1,144,915	\$ 681,675	\$ 8,222	\$ 322,286	\$ 2,422,755

See Accompanying Notes to Financial Statements

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2009

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds (page 22)		\$ (6,838,945)
Governmental funds report capital outlays, including infrastructure, as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Capital outlays exceeded depreciation expense in the current year as follows:		
Expenditures for capital assets	\$ 7,614,310	
Depreciation expense	<u>(237,789)</u>	
		7,376,521
Transfer of capital assets from governmental activities to business-type activities.		(9,692)
The effect of bond issue costs when new debt is issued, whereas these amounts are deferred and amortized in the Statement of Activities		(5,753)
The effect of bond premiums when new debt is issued, whereas these amounts are deferred and amortized in the Statement of Activities		3,998
Accrued interest expense that does not require current financial resources.		(15,845)
Accrued early retirement that does not require current financial resources.		(101,002)
The repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		<u>240,000</u>
Change in net assets of governmental activities (page 19)		<u><u>\$ 649,282</u></u>

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Statement of Net Assets
Enterprise Funds
June 30, 2009

	Business Type Activities		
	School Nutrition Fund	Nonmajor Enterprise Funds	Total Enterprise Funds
Assets			
Cash and Pooled Investments	\$ 3,203	\$ 4,536	\$ 7,739
Due from Other Funds		4,861	4,861
Inventories	8,725		8,725
Prepaid Expenses	588		588
Property and Equipment, Net of Accumulated Depreciation	41,447	198,502	239,949
Total Assets	53,963	207,899	261,862
Liabilities			
Cash Deficit		449	449
Accounts Payable	441	4,745	5,186
Due to Other Funds	57,836	56,531	114,367
Unearned Revenue	3,853		3,853
Accrued Wages and Benefits	17,791		17,791
Total Liabilities	79,921	61,725	141,646
Net Assets			
Invested in Capital Assets	41,447	198,502	239,949
Unrestricted	(67,405)	(52,328)	(119,733)
Total Net Assets	\$ (25,958)	\$ 146,174	\$ 120,216

See Accompanying Notes to Financial Statements

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenses, and Changes in Net Assets
Enterprise Funds
For the Year Ended June 30, 2009

	Business Type Activities		
	School Nutrition Fund	Nonmajor Enterprise Funds	Total Enterprise Funds
Operating Revenues:			
Sales of lunches and breakfasts:			
Students	\$ 166,694		\$ 166,694
A la carte	7,220		7,220
Tuition and Fees		\$ 60,143	60,143
Miscellaneous	3,468	1,050	4,518
Total Operating Revenue	177,382	61,193	238,575
Operating Expenses:			
Salaries	97,267	59,268	156,535
Benefits	19,625	10,753	30,378
Supplies	141,306	1,467	142,773
Other	3,323	5,302	8,625
Depreciation	7,413	6,303	13,716
Total Operating Expenses	268,934	83,093	352,027
Operating (Loss)	(91,552)	(21,900)	(113,452)
Non-Operating Revenues (Expenses) :			
Interest Income	183	75	258
State Lunch and Breakfast Program Claims	3,469		3,469
National School Lunch Program	70,727		70,727
Federal Food Commodities Received	25,911		25,911
Interest Expense	(1,433)		(1,433)
Total Non-Operating Revenues (Expense)	98,857	75	98,932
Income (Loss) Before Contributions and Transfers	7,305	(21,825)	(14,520)
Contributions of fixed assets		9,692	9,692
Transfers In		4,132	4,132
Change in Net Assets	7,305	(8,001)	(696)
Net Assets (Deficits)-beginning	(33,263)	154,175	120,912
Net Assets (Deficits)-ending	\$ (25,958)	\$ 146,174	\$ 120,216

See Accompanying Notes to Financial Statements

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
Enterprise Funds
For the Year Ended June 30, 2009

	Business Type Activities		
	School Nutrition Fund	Nonmajor Enterprise Funds	Total Enterprise Funds
Cash flows from operating activities:			
Cash received from customers	\$ 177,767	\$ 60,143	\$ 237,910
Cash received from miscellaneous operating activities	3,468	1,050	4,518
Cash payments to employees for services	(116,730)	(70,020)	(186,750)
Cash payments to suppliers for goods and services	(119,321)	(1,876)	(121,197)
Total cash used by operating activities	(54,816)	(10,703)	(65,519)
Cash flows from noncapital financing activities:			
Due From Other Funds		(3,970)	(3,970)
Due to Other Funds	(31,942)	13,521	(18,421)
State grants received	3,469		3,469
Federal grants received	70,727		70,727
Operating Transfers		4,132	4,132
Net cash provided by noncapital financing activities	42,254	13,683	55,937
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(544)	(474)	(1,018)
Interest Paid	(1,433)		(1,433)
Net cash (used) by capital and related financing activities	(1,977)	(474)	(2,451)
Cash flows from investing activities:			
Interest on investments	183	75	258
Net increase (decrease) in cash and pooled investments	(14,356)	2,581	(11,775)
Cash and pooled investments - beginning of year	17,559	1,506	19,065
Cash and pooled investments - end of year	3,203	4,087	7,290
Reconciliation of operating loss to net cash used in operating activities:			
Operating Loss	(91,552)	(21,900)	(113,452)
Depreciation Expense	7,413	6,303	13,716
Commodities used	25,911		25,911
Change in assets and liabilities:			
(Increase) in prepaid expenses	(588)		(588)
(Increase) in inventory	(1,044)		(1,044)
Increase in accounts payable	441	4,894	5,335
Increase in lunch credits	3,853		3,853
Increase in accrued wages and benefits	750		750
Net cash used in operating activities	\$ (54,816)	\$ (10,703)	\$ (65,519)
Supplemental schedule of noncash noncapital financing activities:			
Federal food commodities received	\$ 25,911		\$ 25,911
Supplemental schedule of noncash capital and related financing activities:			
Contribution of fixed assets	\$ -	\$ 9,692	\$ 9,692

See Accompanying Notes to Financial Statements

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
Fiduciary Funds
For the Year Ended June 30, 2009

	<u>Private Purpose Trust Scholarship</u>
ASSETS	
Cash	\$ 6,417
Investments	32,212
Accounts Receivable	<u>3,000</u>
Total Assets	<u><u>41,629</u></u>
LIABILITIES	
Due to other Governments	<u>3,000</u>
Total Liabilities	<u><u>3,000</u></u>
NET ASSETS:	<u><u>\$ 38,629</u></u>

See Accompanying Notes to Financial Statements

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
Fiduciary Funds
For the Year Ended June 30, 2009

	<u>Private Purpose Trust Scholarship</u>
Additions:	
Local Sources:	
Gifts and Contributions	\$ 3,000
Interest Income	<u>1,875</u>
Total Additions	4,875
Deductions:	
Support Services:	
Scholarships Awarded	<u>4,650</u>
Change in Net Assets	225
Net Assets - Beginning of Year	<u>38,404</u>
Net Assets - End of Year	<u><u>\$ 38,629</u></u>

See Accompanying Notes to Financial Statements

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2009

Note 1 – Summary of Significant Accounting Policies

The Lawton-Bronson Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic areas served include the cities of Lawton and Bronson, Iowa, and the predominant agricultural territory in Woodbury County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Lawton-Bronson Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Lawton-Bronson Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Woodbury County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvements of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2009

Note 1 – Summary of Significant Accounting Policies (Continued)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Statewide Sales and Service Tax Fund is used to account for statewide sales and service tax for school infrastructure.

The Capital Projects Elementary Building Fund is used to account for the construction of the new elementary building.

The District reports the following major proprietary fund:

The School Nutrition Fund accounts for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary fund is as follows:

The Private Purpose Trust fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary funds financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2009

Note 1 – Summary of Significant Accounting Policies (Continued)

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Funds are charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Assets, Liabilities, and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash and Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, they have a maturity date no longer than three months. Cash investments not meeting the definition of cash equivalents at June 30, 2009 included certificates of deposits held by the Private Purpose Scholarship Trust of \$32,212 with original maturity dates longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current year and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2009

Note 1 – Summary of Significant Accounting Policies (Continued)

for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2008.

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenue, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of \$300 for governmental capital assets and \$300 for proprietary capital assets. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings and Structures	20 – 50
Vehicles, Furniture, and Equipment	5 – 20

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences – There is no liability for unpaid accumulated vacation or sick leave since the District does have a policy in which employees are required to use it or lose it. The District does not pay this amount when employees separate from service.

Long-Term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2009

Note 1 – Summary of Significant Accounting Policies (Continued)

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts not available for appropriation or legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or are imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, expenditures in the instruction and non-instructional programs functional areas exceeded the amounts budgeted.

Note 2 – Cash and Pooled Investments

The District's deposits in banks at June 30, 2009 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; and certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2009, the District had the following investments:

	<u>Amortized Cost</u>	
Iowa Schools Joint Investment Trust		<u>\$ 1,955,982</u>
	<u>Credit Risk</u>	<u>Fair Value</u>
ISCAP – Guaranteed Interest Contract	Not Rated	<u>\$ 262,085</u>

The investments in the Iowa Schools Joint Investment Trust are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investment in the Iowa Schools Joint Investment Trust was rated Aaa by Moody's Investors Service.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2009

Note 3 – Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2009 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Non-Major Governmental	\$ 31
Non-Major Governmental	Enterprise – School Nutrition	125
General	Enterprise – School Nutrition	57,711
General	Nonmajor Enterprise	56,531
General	Statewide Sales and Service Tax	155
Non-Major Enterprise	Nonmajor Governmental	4,861
Statewide Sales and Service Tax	Debt Service	7,000
		<u>\$ 126,414</u>

Note 4 – Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ 55,378
Nonmajor Enterprise	Nonmajor Governmental	4,132
		<u>\$ 59,510</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
Business-type Activities	Governmental Activities	<u>\$ 9,692</u> *

* Transfer was recorded to account for the transfer of capital assets from the general government to the Fitness Center, a nonmajor enterprise fund.

Note 5 – Area Education Agency

The District is required by the Code of Iowa to budget for its share of the special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$220,023 for the year ended June 30, 2009, and is recorded in the General Fund.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2009

Note 6 – Capital Assets

Capital asset activity for the year ended June 30, 2009 was as follows:

	Balance July 1, 2008	Additions	Deletions	Reclassifications	Balance June 30, 2009
Governmental Activities:					
Capital assets not being depreciated:					
Land	\$ 283,677	\$ -	\$ -	\$ -	\$ 283,677
Construction in Progress	906,057	7,479,759	67,671	-	8,318,145
Total capital assets not being depreciated	1,189,734	7,479,759	67,671	-	8,601,822
Capital assets being depreciated:					
Buildings	6,486,434	101,539	-	6,131	6,594,104
Furniture and Equipment	2,018,073	100,683	144,881	(15,823)	1,958,052
Total capital assets being depreciated	8,504,507	202,222	144,881	(9,692)	8,552,156
Less accumulated depreciation for:					
Buildings	1,818,574	138,513	-	(33,452)	1,923,635
Furniture and Equipment	1,477,908	99,276	144,881	33,452	1,465,755
Total accumulated depreciation	3,296,482	237,789	144,881	-	3,389,390
Total capital assets being depreciated, net	5,208,025	(35,567)	-	(9,692)	5,162,766
Governmental activities capital assets, net	\$6,397,759	\$7,444,192	\$ 67,671	\$ (9,692)	\$ 13,764,588

	Balance July 1, 2008 (as restated)	Additions	Deletions	Reclassifications	Balance June 30, 2009
Business-Type Activities:					
Furniture and Equipment	\$ 435,859	\$ 914	\$ -	\$ 9,692	\$ 446,465
Less accumulated depreciation	192,800	13,716	-	-	206,516
Business-type activities capital assets, net	\$ 243,059	\$ (12,802)	\$ -	\$ 9,692	\$ 239,949

Depreciation expense was charged to the following functions:

Governmental Activities:

Instruction:

Regular

\$ 19,688

Co-curricular

6,873

Support Services:

General Administration

138,609

Operations and Maintenance

20,305

Transportation

52,314

Total depreciation expense – governmental activities

\$ 237,789

Business-Type Activities:

Food Service Operations

\$ 7,413

Fitness Center Operations

6,303

\$ 13,716

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2009

Note 6 – Capital Assets (Continued)

Reconciliation of Invested in Capital Assets:

	Governmental Activities	Business-Type Activities
Land	\$ 283,677	\$ -
Construction in Progress	8,318,145	-
Capital Assets (net of accumulated depreciation)	5,162,766	239,949
Less: Bonds Payable	(9,055,000)	-
Bond Premium	(75,296)	-
Invested in Capital Assets, Net of Related Debt	<u>\$ 4,634,292</u>	<u>\$ 239,949</u>

Note 7 – Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits that are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 4.10% of their annual salary and the District is required to contribute 6.35% of annual covered payroll for the year ended June 30, 2009. The District's rate for the years ended June 30, 2008 and 2007 was 6.09% and 5.75%. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2009, 2008, and 2007 were \$207,823, \$186,054, and \$165,968 respectively, equal to the required contributions for each year.

Note 8 – Termination Benefits

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty five and have a total of 15 years of service as a licensed full-time employee. The employee is required to submit an application to the Superintendent before February 1st of the year the employee wishes to retire. The application is then submitted to the Board for consideration and approval. The employee is entitled to single coverage health insurance until they reach the age of 65. The maximum monthly expense for the District is \$240 per retired employee. The benefits are funded on a pay as you go basis. The district paid \$16,800 in benefits during the year ended June 30, 2009. The cost of early retirement payments liquidated within 60 days is recorded as a liability of the Special Revenue – Management Levy Fund in the fund financial statements. The non-current portion of the early retirement is recorded in the government-wide financial statements. There are currently nine individuals in the plan. The recorded liability on the District financial statements is shown at present values and not discounted present values.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2009

Note 9 – Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2009 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
General Obligation Capital Loan Notes	\$ 7,280,000	\$ -	\$ 240,000	\$ 7,040,000	\$ 250,000
Sales Tax Revenue Bonds	2,015,000	-	-	2,015,000	170,000
Accrued Early Retirement	85,480	106,828	16,800	175,508	34,961
Total	\$ 9,380,480	\$ 106,828	\$ 256,800	\$ 9,230,508	\$ 454,961

General Obligation Bonds

The District issued general obligation capital loan notes to provide funds for the acquisition and construction of a new elementary school building. General obligation bonds have been issued for governmental activities. These bonds are direct obligations and pledge the full faith and credit of the District.

General obligation bonds as of June 30, 2009 are as follows:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Amount</u>
Governmental Activities – GO School Bonds Series 2008	4.15 – 4.45%	\$7,040,000

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending June 30	Principal	Interest	Total
2010	\$ 250,000	\$ 297,323	\$ 547,323
2011	260,000	286,948	546,948
2012	270,000	276,158	546,158
2013	280,000	264,952	544,952
2014	295,000	253,332	548,332
2015 – 2019	1,660,000	1,073,272	2,733,272
2020 – 2024	2,045,000	698,316	2,743,316
2025 - 2028	1,980,000	222,300	2,202,300
Totals	\$ 7,040,000	\$ 3,372,601	\$ 10,412,601

Revenue Bonds

The District has pledged future statewide sales and services tax revenues to repay the sales tax revenue bonds issued in the prior fiscal year. The sales tax revenue bonds were issued for the purpose of defraying a portion of the cost of a new school. The bonds are payable solely from the proceeds of the statewide sales and service tax revenues received by the District and are payable through 2019. The bonds are not a general obligation of the District. Annual principal and interest payments on the bonds are expected to require nearly 100 percent of the statewide sales and services tax revenues. The total principal and interest remaining to be paid on the note is \$2,422,492. For the current year, there were no principal payments, and interest of \$55,378 was paid on the bonds. Total statewide sales and service tax revenues for the year were \$488,668.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2009

Note 9 – Long-Term Liabilities (Continued)

The resolution providing for the issuance of the sales tax revenue bonds includes the following provisions:

1. \$201,500 of the proceeds from the issuance of revenue bonds shall be deposited to a Reserve Account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Account. The balance of the proceeds from the issuance of the revenue bonds shall be deposited to the Project Account.
2. All proceeds from the statewide sales and services tax shall be placed in a Revenue Account.
3. Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements each month of the fiscal year.
4. Any monies remaining in the Revenue Account after the required transfer of the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

The District did not comply with all of the revenue bond provisions during the year ended June 30, 2009. The required Reserve Account was not established by the District.

Revenue bonds as of June 30, 2009 are as follows:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Amount</u>
Governmental Activities – Sales Tax Revenue Bonds	2.8 – 4.125%	<u>\$2,015,000</u>

Annual debt service requirements to maturity for revenue bonds are as follows:

Governmental Activities			
Year Ending June 30	Principal	Interest	Total
2010	\$ 170,000	\$ 70,115	\$ 240,115
2011	175,000	65,110	240,110
2012	185,000	59,502	244,502
2013	190,000	53,289	243,289
2014	200,000	46,534	246,534
2015 - 2019	1,095,000	112,942	1,207,942
Total	<u>\$ 2,015,000</u>	<u>\$ 407,492</u>	<u>\$2,422,492</u>

Note 10 – Operating Leases

The District is committed under seven non-cancelable operating leases for copiers. Future minimum operating lease commitments are as follows:

<u>Ending June 30</u>	<u>Total</u>
2010	\$ 16,184
2011	8,595
2012	5,847
2013	<u>4,385</u>
Totals	<u>\$ 35,011</u>

Rent expenditures were \$19,787 for the year ended June 30, 2009.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2009

Note 11 – Iowa Schools Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semi-annual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semi-annual period. ISCAP accounts for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. Piper Jaffray & Co is the trustee for the program.

A summary of the District's participation in ISCAP as of June 30, 2009 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2009-2010A	6/25/09	6/23/10	\$ 262,085	\$ 32	\$ 258,000	\$ 11,970
Totals			\$ 262,085	\$ 32	\$ 258,000	\$ 11,970

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2009 is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2007 – 2008 B	-	325,000	\$ 325,000	\$ -
	\$ -	\$ 325,000	\$ 325,000	\$ -

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2009 – 2010 A	2.50%	.902%

Note 12 – Risk Management

The District is exposed to various risks of loss related to torts, theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 13 – Commitments

The District has entered into a contract for the construction of a new elementary school building. The original contract of \$9,338,090 was reduced by \$738,232 due to change orders. As of June 30, 2009, costs of \$7,051,074 had been incurred against the contract. The balance of \$1,548,784 remaining at June 30, 2009 will be paid as work on the project progresses.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2009

Note 14 – Prior Period Adjustment

During the year it was discovered that interest receivable of \$36,668 was recorded in the General Fund incorrectly and should have been recorded in the Elementary Building Fund as of June 30, 2008. Also there was a \$22,032 overstatement of accounts payable in the General Fund as of June 30, 2008.

The effect of this correction is as follows:

	General Fund Governmental Funds	Elementary Building	Governmental Activities - Government Wide Effect
Beginning Fund Balance as previously reported	\$ 73,925	\$ 8,373,985	\$ 6,247,635
(Over) Understated Receivable	(36,128)	36,128	-
Overstated Payable	22,032	-	22,032
Net Change in Beginning Fund Balance	(14,096)	36,128	22,032
Beginning Fund Balance as restated	\$ 59,829	\$ 8,410,113	\$ 6,269,667

Note 15 – Reclassifications of a General Nature

Certain amounts presented have been reclassified to conform to the current period financial statement presentation. These reclassifications have no effect on previously reported net income or fund balance.

Note 16 – Deficit Fund Balances

The following funds had a deficit fund balance at June 30, 2009:

Enterprise – School Nutrition	\$ 25,958
Enterprise – Preschool	38,242
Enterprise – Before and After the Bell	16,896

These deficits will be funded by future charges for services.

REQUIRED SUPPLEMENTARY INFORMATION

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances-
Budget and Actual (GAAP Basis)-
All Governmental Funds and Proprietary Funds
For the Year Ended June 30, 2009

	Original/Final Budgeted Amounts	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Variance with Budget Favorable (Unfavorable)
Receipts:					
Local Sources	\$ 4,305,249	\$ 3,903,140	\$ 238,833	\$ 4,141,973	\$ (163,276)
State Sources	2,994,176	3,081,649	3,469	3,085,118	90,942
Federal Sources	247,242	143,264	96,638	239,902	(7,340)
Total Revenues	<u>7,546,667</u>	<u>7,128,053</u>	<u>338,940</u>	<u>7,466,993</u>	<u>(79,674)</u>
Expenditures:					
Instruction	3,816,686	3,861,828		3,861,828	(45,142)
Support Services	2,412,500	1,741,504		1,741,504	670,996
Non-Instructional Programs	275,000		353,460	353,460	(78,460)
Other Expenditures	9,169,539	8,361,366		8,361,366	808,173
Total Expenditures	<u>15,673,725</u>	<u>13,964,698</u>	<u>353,460</u>	<u>14,318,158</u>	<u>1,355,567</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(8,127,058)</u>	<u>(6,836,645)</u>	<u>(14,520)</u>	<u>(6,851,165)</u>	<u>1,275,893</u>
Other Financing Sources					
Operating Transfers In		55,378	4,132	59,510	59,510
Operating Transfers Out		(59,510)		(59,510)	(59,510)
Contribution of Fixed Assets			9,692	9,692	9,692
Sale of Equipment & Material		1,832		1,832	1,832
Total Other Financing Sources	<u>-</u>	<u>(2,300)</u>	<u>13,824</u>	<u>11,524</u>	<u>11,524</u>
Net Change in Fund Balances	<u>(8,127,058)</u>	<u>(6,838,945)</u>	<u>(696)</u>	<u>(6,839,641)</u>	<u>1,287,417</u>
Fund Balance/Retained Earnings Beginning of Year (restated)	<u>9,346,484</u>	<u>9,261,700</u>	<u>120,912</u>	<u>9,382,612</u>	<u>36,128</u>
Fund Balance/Retained Earnings End of Year	<u>\$ 1,219,426</u>	<u>\$ 2,422,755</u>	<u>\$ 120,216</u>	<u>\$ 2,542,971</u>	<u>\$ 1,323,545</u>

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Notes to Required Supplemental Information – Budgetary Reporting
Year Ended June 30, 2009

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except the Private Purpose Trust. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2009, expenditures in the instruction and non-instructional programs functions exceeded the amounts budgeted.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balance
General Fund
For the Year Ended June 30, 2009

Schedule 1

Revenues:

Local Sources:

Local Tax:

Property Tax	\$	1,836,494
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Other Local Sources:

Interest on Investments		15,917
Tuition from Other Districts		367,377
Miscellaneous		67,407
		450,701
		2,287,195

State Sources:

Foundation Aid-District's Share		2,360,099
Experienced Teacher Compensation		245,235
Educational Excellence Program:		
Phase I		30,143
Phase II		49,476
Teacher Quality		30,988
Non-Public Transportation Aid		12,591
Vocational Education Aid		4,260
Iowa Early Intervention Block Grant		29,108
Stabalization Funds - ARRA		49,281
Medicaid Reimbursement		50,232
AEA Flow-Through		220,023
Other		213
		3,081,649

Federal Sources:

Title I Grants to Local Educational Agencies		33,942
Safe and Drug Free Schools and Communities		1,494
Rural Education Achievement Program		54,250
Transition Alliance Program		4,709
Other		48,869
		143,264

Total Revenue

5,512,108

Expenditures:

Instruction:

Regular Program Instruction:

Salaries		1,798,128
Employee Benefits		479,084
Contractual Services		379,797
General Supplies		87,812
Equipment		658
Other		10,674
		\$ 2,756,153

(continued)

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Schedule of Revenue, Expenditures and Changes in Fund Balance
General Fund - Continued
For the Year Ended June 30, 2009

Schedule 1 (Continued)

Expenditures (continued):

Instruction (continued):

Special Education Instruction:

Salaries	\$ 317,382
Employee Benefits	65,926
Contractual Services	82,681
General Supplies	1,436
Equipment	2,762
Other	15,918
	<u>486,105</u>

Vocational Program Instruction:

Salaries	110,115
Employee Benefits	35,169
Contractual Services	193
General Supplies	6,037
Equipment	5,373
Other	173
	<u>157,060</u>

Co-Curricular Program Instruction and Sports:

Salaries	99,374
Employee Benefits	13,719
Contractual Services	1,975
General Supplies	345
Equipment	4,000
Other	165
	<u>119,578</u>
Total Instruction	<u>3,518,896</u>

Support Services:

Student Services:

Guidance Services

Salaries	58,588
Employee Benefits	14,291
Contractual Services	20,269
General Supplies	562
	<u>93,710</u>

Health Services

Salaries	32,731
Employee Benefits	20,230
Contractual Services	379
General Supplies	1,737
Equipment	976
Other	171
	<u>56,224</u>

Total Student Support Services

<u>\$ 149,934</u>
(continued)

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Schedule of Revenue, Expenditures and Changes in Fund Balance
General Fund - Continued
For the Year Ended June 30, 2009

Schedule 1 (Continued)

Expenditures (continued):

Support Services (continued):

Instructional Staff Services

Educational Media Services:

Salaries	\$ 109,388
Employee Benefits	26,249
Contractual Services	362
General Supplies	10,073
Equipment	36,484
	<u>182,556</u>

Administration Services:

General Administration:

Salaries	106,343
Employee Benefits	36,599
Contractual Services	5,269
General Supplies	1,510
Other	923
	<u>150,644</u>

School Administrative Services

Salaries	198,604
Employee Benefits	67,035
Contractual Services	8,973
General Supplies	4,763
Equipment	3,903
Other	1,515
	<u>284,793</u>

Business Administration:

Salaries	41,587
Employee Benefits	12,032
Contractual Services	34,921
General Supplies	4,479
Interest Expense	11,970
Other	5,258
	<u>110,247</u>

Total Administration Services:

\$ 545,684

(continued)

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Schedule of Revenue, Expenditures and Changes in Fund Balance
General Fund - Continued
For the Year Ended June 30, 2009

Schedule 1 (Continued)

Expenditures (continued):

Support Services (continued):

Operation and Maintenance Services:

Salaries	\$ 158,780
Employee Benefits	54,952
Contractual Services	33,844
General Supplies	159,751
Equipment	4,807
Other	236
	<u>412,370</u>

Student Transportation:

Salaries	141,563
Employee Benefits	34,262
Contractual Services	28,495
General Supplies	71,977
Equipment	357
Other	1,995
	<u>278,649</u>

Total Support Services

1,419,259

Other Expenditures:

AEA Flow-Through	<u>220,023</u>
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Total Expenditures

5,308,112

Excess of Revenues Over Expenditures

203,996

Other Financing Sources:

Sale of Equipment & Material	<u>1,832</u>
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Excess of Revenues and other Sources Over Expenditures

205,828

Fund Balance - Beginning of Year	73,925
Prior Period Adjustment	<u>(14,096)</u>
Fund Balance - Beginning of Year (Restated)	<u>59,829</u>

Fund Balance - End of Year	<u><u>\$ 265,657</u></u>
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LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2009

Schedule 2

	Special Revenue			Capital Projects	
	Management	Student	Physical Plant and	Baseball	
	Levy	Activity	Equipment Levy	Field Project	Total
Assets					
Cash and Pooled Investments	\$ 80,956	\$ 55,345	\$ 198,625	\$ 8,808	\$343,734
Receivables:					
Property Tax	1,019		1,026		2,045
Succeeding Year	80,001		51,133		131,134
Due from Other Funds		125			125
Total Assets	161,976	55,470	250,784	8,808	477,038
Liabilities and Fund Balances					
Liabilities:					
Accounts Payable		10,302		2,598	12,900
Due to Other Funds		4,892			4,892
Deferred Revenue:					
Succeeding Year Property Tax	80,001		51,133		131,134
Accrued Early Retirement	5,826				5,826
Total Liabilities	85,827	15,194	51,133	2,598	154,752
Fund Balances:					
Unreserved Fund Balances					
Capital Projects				6,210	6,210
Special Revenue Fund	76,149	40,276	199,651		316,076
Total Fund Balances	76,149	40,276	199,651	6,210	322,286
Total Liabilities and Fund Balances	\$ 161,976	\$ 55,470	\$ 250,784	\$ 8,808	\$477,038

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2009

Schedule 3

	Special Revenue			Capital Projects	
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Baseball Field Project	Total
Revenues:					
Local Sources:					
Local Tax	\$ 50,054		\$ 48,761		\$ 98,815
Other	8,516	\$ 308,924	1,949	\$ 42,295	361,684
Total Revenues	58,570	308,924	50,710	42,295	460,499
Expenditures:					
Current:					
Instruction:					
Other		342,932			342,932
Support Services:					
Administration	41,984				41,984
Operation and Maintenance of Plant	35,665		9,091		44,756
Transportation	5,919				5,919
Other Expenditures:					
Facilities Acquisition and Construction			18,658	36,085	54,743
Total Expenditures	83,568	342,932	27,749	36,085	490,334
Excess (Deficiency) of Revenues Over Expenditures	(24,998)	(34,008)	22,961	6,210	(29,835)
Other Financing Sources (Uses):					
Operating Transfers Out		(4,132)			(4,132)
Total Other Financing Sources (Uses)	-	(4,132)	-	-	(4,132)
Net Change in Fund Balances	(24,998)	(38,140)	22,961	6,210	(33,967)
Fund Balances - Beginning of Year	101,147	78,416	176,690	-	356,253
Fund Balances - End of Year	\$ 76,149	\$ 40,276	\$ 199,651	\$ 6,210	\$ 322,286

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Combining Schedule of Net Assets
Nonmajor Enterprise Funds
June 30, 2009

Schedule 4

	Business-Type Activities			
	Preschool	Fitness Center	Before and After the Bell	Total
Assets:				
Cash and Pooled Investments	\$ 251	\$ 4,285		\$ 4,536
Due from Other Funds		4,861		4,861
Property Plant and Equipment, Net of Accumulated Depreciation		198,502		198,502
Total Assets	<u>251</u>	<u>207,648</u>	<u>-</u>	<u>207,899</u>
Liabilities:				
Cash Deficit			\$ 449	449
Accounts Payable		4,713	32	4,745
Due to Other Funds	38,493	1,623	16,415	56,531
Total Liabilities	<u>38,493</u>	<u>6,336</u>	<u>16,896</u>	<u>61,725</u>
Net Assets:				
Invested in Capital Assets Net of Related Debt		198,502		198,502
Unrestricted	(38,242)	2,810	(16,896)	(52,328)
Total Net Assets	<u>\$ (38,242)</u>	<u>\$ 201,312</u>	<u>\$ (16,896)</u>	<u>\$ 146,174</u>

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Combining Schedule of Revenues, Expenses
and Changes in Net Assets
Nonmajor Enterprise Funds
For the Year Ended June 30, 2009

Schedule 5

	Business Type Activities			
	Preschool	Fitness Center	Before and After the Bell	Total
Operating Revenues:				
Charges for Services	\$ 4,581	\$ 5,200	\$ 50,362	\$ 60,143
Other			1,050	1,050
Total Operating Revenues	4,581	5,200	51,412	61,193
Operating Expenses:				
Salaries	13,887	1,424	43,957	59,268
Benefits	4,557	199	5,997	10,753
Supplies	229	422	816	1,467
Other		4,901	401	5,302
Depreciation		6,303		6,303
Total Operating Expenses	18,673	13,249	51,171	83,093
Operating Profit (Loss)	(14,092)	(8,049)	241	(21,900)
Non-Operating Income:				
Interest Income	7	6	62	75
Total Non-Operating Income	7	6	62	75
Income (Loss) Before Contributions and Transfers	(14,085)	(8,043)	303	(21,825)
Contributions of fixed assets		9,692		9,692
Operating Transfer In		4,132		4,132
Change in Net Assets	(14,085)	5,781	303	(8,001)
Net Assets (Deficits) - Beginning of Year	(24,157)	195,531	(17,199)	154,175
Net Assets (Deficits) - End of Year	\$ (38,242)	\$ 201,312	\$ (16,896)	\$ 146,174

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
COMBINING SCHEDULE OF CASH FLOWS
Nonmajor Enterprise Funds
For the Year Ended June 30, 2009

Schedule 6

	Business-Type Activities			
	Preschool	Fitness Center	Before and After The Bell	Total
Cash flows from operating activities:				
Cash received from customers	\$ 4,581	\$ 5,200	\$ 50,362	\$ 60,143
Cash received from miscellaneous operating activities			1,050	1,050
Cash payments to employees for services	(18,444)	(1,622)	(49,954)	(70,020)
Cash payments to suppliers for goods and services		(610)	(1,266)	(1,876)
Total cash provided (used) by operating activities	(13,863)	2,968	192	(10,703)
Cash flows from noncapital financing activities:				
Due From Other Funds		(3,970)		(3,970)
Due to Other Funds	14,088	1,623	(2,190)	13,521
Operating Transfers		4,132		4,132
Net cash provided (used) by noncapital financing activities	14,088	1,785	(2,190)	13,683
Cash flows from capital and related financing activities:				
Acquisition of capital assets		(474)		(474)
Cash flows from investing activities:				
Interest on investments	7	6	62	75
Net increase (decrease) in cash and pooled investments	232	4,285	(1,936)	2,581
Cash and pooled investments - beginning of year	19		1,487	1,506
Cash and pooled investments (deficit) - end of year	251	4,285	(449)	4,087
Reconciliation of operating income (loss) to net cash provided (used) in operating activities:				
Operating Income (Loss)	(14,092)	(8,049)	241	(21,900)
Depreciation Expense		6,303		6,303
Change in assets and liabilities:				
Increase (Decrease) in accounts payable	229	4,714	(49)	4,894
Net cash provided (used) in operating activities	\$ (13,863)	\$ 2,968	\$ 192	\$ (10,703)
Supplemental schedule of noncash capital and related financing activities:				
Capital Contributions	\$ -	\$ 9,692	\$ -	\$ 9,692

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Schedule of Changes in Special Revenue Fund, Student Activity Accounts
For the Year Ended June 30, 2009

					Schedule 7	
	Balance July 1, 2008	Revenues	Expenditures	Operating Transfers	Balance June 30, 2009	
Dollars for Scholars	\$ 1,515	\$ 3,394	\$ 3,371	\$ -	\$ 1,538	
Elementary Yearbook	4,290	1,290	1,953	-	3,627	
Student Council	1,061	5,156	5,210	-	1,007	
Industrial Technology	1,033	3,760	3,451	-	1,342	
Unreserved	1	-	-	(1)	-	
Drama and Speech	218	-	-	-	218	
JEL	484	3,363	1,336	(2,436)	75	
Soup and Pie Supper	236	819	783	(272)	-	
Vocal Music	-	55,398	55,579	181	-	
Instrumental Music	1,859	4,469	6,438	192	82	
Drill Team	3,187	34,251	38,126	-	(688)	
Elementary Music	327	901	-	(32)	1,196	
History Trip	18	-	-	(18)	-	
Yearbook	5,683	11,625	15,802	-	1,506	
Cheerleaders	4,042	8,549	9,759	-	2,832	
National Honor Society	290	978	198	-	1,070	
Senior Class	-	363	1,606	-	(1,243)	
Junior Class	2,300	1,266	2,583	-	983	
Sophomore Class	2,984	8,179	4,445	(2,436)	4,282	
Freshman Class	548	1,008	499	-	1,057	
Classes Graduated	1,529	-	-	-	1,529	
Junior High	3,789	12,180	11,947	-	4,022	
High School Athletics	6,313	21,945	10,266	(17,644)	348	
Fitness Center	84	425	1,214	705	-	
L-B Wrestling	226	5,513	6,446	-	(707)	
High School Football	4,210	61,258	83,112	17,644	-	
L-B Girls Basketball	931	12,210	11,049	-	2,092	
Track	143	-	1,233	-	(1,090)	
Girls Volleyball	1,249	2,931	2,186	-	1,994	
Boys Basketball	3,958	7,161	10,040	-	1,079	
Boys Baseball	1,413	11,247	14,047	-	(1,387)	
Girls Softball	7,427	6,486	17,840	-	(3,927)	
Concessions	200	-	-	-	200	
Activity Tickets	-	2,449	2,124	-	325	
L-B Elementary Building	15,217	20,180	19,248	-	16,149	
Reserve For Contingency	1,044	-	264	(15)	765	
Library	607	170	777	-	-	
	<u>\$ 78,416</u>	<u>\$ 308,924</u>	<u>\$ 342,932</u>	<u>\$ (4,132)</u>	<u>\$ 40,276</u>	

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds
For the Years Ended June 30, 2009, 2008, 2007, 2006, 2005, 2004

Schedule 8

	Modified Accrual Basis of Accounting					
	2009	2008	2007	2006	2005	2004
Revenues:						
Local Sources:						
Local Tax	\$ 2,971,929	\$ 2,786,311	\$ 2,471,965	\$ 2,223,894	\$2,179,574	\$ 2,143,277
Tuition	367,377	382,909	280,918	225,742	274,359	276,825
Other	563,834	660,877	650,662	529,519	308,038	246,383
State Sources	3,081,649	3,022,660	2,796,166	2,607,387	2,354,530	2,389,082
Federal Sources	143,264	136,261	134,070	163,665	129,821	202,799
Total	<u>\$ 7,128,053</u>	<u>\$ 6,989,018</u>	<u>\$ 6,333,781</u>	<u>\$ 5,750,207</u>	<u>\$5,246,322</u>	<u>\$ 5,258,366</u>
Expenditures:						
Instruction:						
Regular	\$ 2,756,153	\$ 2,509,918	\$ 2,498,452	\$ 2,212,621	\$2,183,741	\$ 2,101,693
Special	486,105	614,365	535,445	452,323	397,406	392,970
Other	619,570	577,951	504,123	449,844	452,576	449,997
Support Services:						
Student	149,934	147,969	153,304	173,868	153,510	118,405
Instructional Staff	182,556	171,789	165,191	184,969	61,286	50,096
Administration	587,668	647,296	571,524	570,536	470,249	570,554
Operation and Maintenance of Plant	457,126	451,017	427,015	353,394	403,515	364,018
Transportation	364,220	302,418	475,415	325,478	250,777	224,607
Non-instructional programs						
Other Expenditures:						
Facilities Acquisition	7,538,683	1,101,113	327,700	190,632	133,838	78,417
Long-term debt:						
Principal	240,000	2,900,000	250,000	235,000	225,000	40
Interest and other charges	362,660	197,273	163,860	176,080	187,820	198,079
AEA Flowthrough	220,023	210,904	194,268	175,489	169,052	167,090
Total	<u>\$ 13,964,698</u>	<u>\$ 9,832,013</u>	<u>\$ 6,266,297</u>	<u>\$ 5,500,234</u>	<u>\$5,088,770</u>	<u>\$ 4,715,966</u>

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2009

Part I: Summary of the Independent Auditor's Results

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

None.

SIGNIFICANT DEFICIENCIES:

II-A-09 Financial Accounting – Segregation of Duties

Observation – The District accountant is involved in almost all phases of the finance operations, including check preparation, preparation of journal entries, as well as financial reporting and statements. We did note that the accountant is not involved with the receipt of any cash or checks and that invoices/claims are not paid until reviewed by the superintendent. We also noted that the financial reporting is under the direction of the superintendent.

Recommendation – With a limited number of personnel, segregation of duties is difficult. The District has implemented management review procedures which we feel aid in improving the internal controls of the District. However, we comment that this weakness exists and the duties of the accountant should be continually monitored by management.

Response – The District feels that additional personnel would not be cost effective. However, management will continue to monitor transactions on a regular basis.

Conclusion – Response accepted.

II-B-09 Financial Reporting

Comment – During the audit, we identified material amounts of receivables, payables, and capital asset additions not recorded in the District's financial statements. Adjustments were subsequently made by the District to properly include those amounts in the financial statements.

Recommendation – The District should implement procedures to ensure all receivables, payables, or capital asset additions are identified and included in the District's financial statements.

Response – We will double check these in the future to avoid missing any receivables, payables, or capital asset transactions.

Conclusion – Response accepted.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2009

Part III: Other Findings Related to Statutory Reporting:

III-A-09 Certified Budget – Expenditures for the year ended June 30, 2009 exceeded the certified budget amounts in the instruction and non-instructional programs functions.

Recommendation – The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response – Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion – Response accepted.

III-B-09 Questionable Disbursements – No disbursements were noted that they may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

III-C-09 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

III-D-09 Business Transactions – There were no business transactions between the District and District officials or employees during the year ended June 30, 2009.

III-E-09 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

III-F-09 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

III-G-09 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

III-H-09 Certified Annual Report – The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

III-I-09 Deficit Balances – Three enterprise funds, School Nutrition, Preschool, and Before and After the Bell, had deficit fund balances at June 30, 2009.

Recommendation – The District should continue to investigate alternatives to eliminate these deficits in order to return these accounts to a sound financial condition.

Response – The District is continuing to investigate alternatives to eliminate deficits in the applicable enterprise funds.

Conclusion – Response accepted.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2009

Part III: Other Findings Related to Statutory Reporting (Continued):

III-J-09 Revenue Bonds – The District has not established the Reserve Account required by the revenue bond resolution.

Recommendation – The District should establish the Reserve Account in the amount required and made the monthly transfers to the Sinking Account as required by the bond resolution.

Response – We will establish a Reserve Account and begin making transfers to a Sinking Account.

Conclusion – Response accepted.

III-K-09 Certified Annual Report – The Certified Annual Report was certified timely to the Iowa Department of Education.

III-L-09 Categorical Funding – No instances were noted of categorical funding used to supplant rather than supplement other funds.

III-M-09 Statewide Sales and Services Tax – No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2009, the District's financial activity and other required information for the statewide sales and services tax are as follows:

Beginning Balance	\$ -
Statewide sales and services tax revenue	488,668
Expenditures/transfers out:	
School Infrastructure:	
Buildings	\$ 98,394
Equipment	97,829
Debt service for school infrastructure:	
Revenue debt	<u>55,378</u>
Ending Balance	<u>\$ 237,067</u>



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND OTHER MATTERS AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON
AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Education of the
Lawton-Bronson Community School District

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT as of and for the year ended June 30, 2009, which collectively comprise the Lawton-Bronson Community School District's basic financial statements, and have issued our report thereon dated March 25, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance and Other Matters:

As part of obtaining reasonable assurance about whether the Lawton-Bronson Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Internal Control Over Financial Reporting:

In planning and performing our audit, we considered Lawton-Bronson Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lawton-Bronson Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Lawton-Bronson Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that

adversely affects Lawton-Bronson Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Lawton-Bronson Community School District's financial statements that is more than inconsequential will not be prevented or detected by the Lawton-Bronson Community School District's internal control. We consider the deficiencies described in Part II of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Lawton-Bronson Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily disclose all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe items II-A-09 and II-B-09 are material weaknesses.

The Lawton-Bronson Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit the responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the board of education, management, employees and citizens of Lawton-Bronson Community School District and other parties to whom the Lawton-Bronson Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Lawton-Bronson Community School District during the course of our audit. If you have any questions concerning any of the above matters, we would be pleased to discuss them with you at your convenience.

Williams & Company, P.C.
Certified Public Accountants

Le Mars, Iowa
March 25, 2010